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FM AMEMBASSY MANILA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4676
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS IMMEDIATE
RHHMUNA/CDRUSPACOM HONOLULU HI IMMEDIATE
RUEAIIA/CIA WASHDC IMMEDIATE

UNCLAS MANILA 000157

SIPDIS

SENSITIVE
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E.O. 12958: N/A
TAGS: [PGOV](#) [KCRM](#) [KCOR](#) [RP](#)
SUBJECT: FORMER JUSTICE SECRETARY PEREZ FACES GRAFT,
EXTORTION CHARGES

¶1. (U) The Ombudsman, a body charged with investigating and prosecuting corruption by government officials, on January 8 filed graft, extortion, and falsification charges before the Sandiganbayan anti-graft court against ex-Justice Secretary Hernando Perez, a former aide of President Arroyo and secretary general of the ruling party Lakas. The charges

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stem from a \$2 million extortion complaint lodged in 2002 by former Manila Representative Mark Jimenez in connection with a government contract for a hydroelectric plant awarded to Industrias Metalurgicas Pescarmona Sociedad Anonima (IMPSA) in 2001.

¶2. (U) As Justice Secretary, Perez issued a legal opinion in February 2001 that paved the way for IMPSA's \$470 million contract to rehabilitate and operate a power plant in Laguna Province, just south of Manila. Jimenez, who served as ex-President Estrada's adviser, alleges that he deposited \$2 million in a Hong Kong bank account belonging to Ernest Escaler, Perez's business associate, that same month. The payoff was intended to ease pressure on Jimenez to testify against Estrada, who was charged with plunder and perjury by the Arroyo administration immediately after his ouster. The \$2 million ended up in the Swiss accounts of Perez's wife and brother-in-law. Perez was forced to resign in 2003 amid Jimenez's allegations.

¶3. (U) The Ombudsman claims it found enough evidence to file charges, including the paper trail of bank transactions from Hong Kong to Geneva. Perez and his co-conspirators failed to establish that the money came from inheritance or the sale of real estate property, as they had alleged.

¶4. (U) Ombudsman Merceditas Gutierrez, an Arroyo appointee who previously served as one of Perez's undersecretaries at the Justice Department, publicly vowed to follow the trail of corruption even if it leads to Malacanang. Jimenez, back in Manila after serving a two-year jail sentence in the United States for illegal campaign contributions and tax fraud, called the Ombudsman's decision to file charges against Perez a "vindication" for him and his family, while publicly asserting that President Arroyo was not implicated in the case.

¶5. (U) Executive Secretary Eduardo Ermita, a long-time Perez associate and Lakas party leader, assured Perez that he had the Lakas party's full legal and moral support and newly-resigned presidential chief of staff Michael Defensor called the development an opportunity for Perez to defend himself against the long-standing accusation. Presidential political adviser Gabriel Claudio stressed that Malacanang would not interfere in the case.

COMMENT

¶6. (SBU) When Gutierrez was appointed Ombudsman in 2005 after serving as President Arroyo's chief legal adviser, she was criticized as being too close to the Administration to be effective. While the current charges may yet amount to little in the long term -- the judicial process in the Philippines moves at glacial pace -- Gutierrez showed resolve in filing the case. It is difficult to predict whether the case will hurt the Administration, given Perez's ties to President Arroyo, or the opposition, given Jimenez's ties to ex-President and key opposition figure Joseph Estrada, in the May midterm elections.

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